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SECURITY INFORMATION

CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORTCOUNTRY USSR/Germany (Federal Republic)
SUBJECT Sales of Cotton, Hemp and WheatPLACE ACQUIRED
(BY SOURCE)

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1. The USSR has been offering high quality cotton in Western Europe at around 15% above US prices. One of our associates advised recently that one of their customers had under consideration a transaction whereby he would buy the Soviet cotton for free US dollars and sell it to an EPU country, and he would buy from the EPU country hemp and sell it to the USSR. The latter is willing to pay sufficient premium for the hemp to more than offset its high price for cotton. The USSR apparently stipulates that a L/C be opened in their favor in free US dollars. They in turn would open an L/C in free US dollars through New York. While the Soviets apparently are still holding out for the export L/C being payable in Moscow, ie, upon receipt of cable advice that documents have been presented in Moscow, the German transit dealer believes that they may be satisfied with having both the export and the import L/C's payable in Germany.
2. It was originally estimated that the initial transaction would probably be less than US\$250 thousand each way and would, of course, be insured against the usual risks plus seizure and war risk. Question has been raised as to whether, if all necessary European licenses can be obtained, there are any restrictions on the part of the US Treasury which would prohibit the opening of L/C's in favor of Moscow as well as on behalf of Moscow.

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